

97-250
EX PARTE OR LATE FILED

**Ameritech's Allocation of USF Exogenous Adjustment
Among the Price Caps Baskets
(Revised Exhibit 4 Filed on 12/17/97)**

RECEIVED
MAY 13 1998
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

DOCKET FILE COPY ORIGINAL

In Revised Exhibit 4 in Transmittal No. 1136 filed on 12/17/97, Ameritech first computed the total USF exogenous amount to be \$94,215,513 (explained on page 2 of Revised Exhibit 4). There does not appear to be any question concerning this computation. The second part of Revised Exhibit 4 allocated the total USF exogenous amount among the price caps baskets and bands. Questions have been raised by the Competitive Pricing Division concerning the revenues (\$1.2M) used to allocate USF exogenous amounts to the trunking basket and the revenue (\$67.7M) used to allocate the USF trunking exogenous amounts to the service bands within the trunking basket. The following material provides an explanation of the two part allocation process used in Revised Exhibit 4.

Allocation to the Price Cap Baskets

The first step in the allocation of the exogenous amount to the different baskets was to develop a percentage of appropriate revenues by basket. Ameritech used the same end user revenues that were used to compute USF exogenous amounts in FCC Form 457 to develop these percentages and then mapped the revenues to the price cap baskets as follows:

<u>Basket</u>	<u>Revenue</u>	<u>Form 457 Line(s)</u>
Common Line	Subscriber Line	35
Interexchange	Toll & Long Distance	43,44,45,47
Trunking	Other Local Service	38

The Competitive Pricing Division asked for an explanation of the amount of other local service revenues, \$1.2M, used to allocate the USF exogenous amounts to the trunking basket. This number represents the amount of end user revenue based on the instructions for FCC Form 457. It includes interstate revenues for January, 1997 through June, 1997 from account 5200 derived from IXCs for late payment fees and other incidental activities such as account maintenance services to IXCs to enable them to identify their presubscribed customer base. It excludes certain enhanced, billing and collection, CPE, directory and non-telecommunications revenues as specified in the instructions for FCC Form 457 line 38. This method is appropriate for allocating the USF revenues by basket, since it utilizes the same revenues for allocation as utilized for computing the total USF exogenous.

2
of Original
CODE

Allocation to the Trunking Service Bands

The second stage of the allocation process took the USF exogenous amount allocated to the trunking basket and split it among the service bands. Ameritech based this allocation on revenues that result from direct billing of special access end users. These annual 1996 revenues (\$67.7M) were divided according to the type of service (e.g. LT-1, audio) and are displayed in Revised Exhibit 4 of the Access Reform Filing. In comparison, total interstate special access revenues are identified in the TRP as the sum of lines 180, 190, and 200 of RTE-1 in the amount of \$483.4M. These revenues include not only revenues that result from direct billing of special access end users, but also special access revenues from interexchange carriers, resellers, cellular providers, wireless providers, and other local exchange companies.

While the \$67.7M revenue is appropriate to allocate USF trunking exogenous amounts to the service bands within the trunking basket, it is not appropriate for allocating the USF exogenous amount to the trunking basket. In large part, this conclusion is based on the manner in which customers are able to purchase special access out of FCC Tariff No. 2. End user customers have a choice of obtaining standard special access circuits that go through a POP directly from Ameritech or through a wholesaler, such as an IXC. There is no functional difference between the options; it is simply a billing option of the customer. Using this amount in the allocation to the trunking basket is inappropriate because it would base the allocation of the USF exogenous amount to the trunking basket on revenues that would not normally be considered end user revenues except for billing options available under FCC Tariff No. 2.

FCC Form 457
(Universal Service Worksheet)

Form 457 was developed by the FCC to determine the revenues from each telecommunications provider that is subject to the USF contribution factor. It is required to be submitted twice a year, six months revenue reported in September and twelve months revenue reported in March.

The top portion of Form 457, Page 2, (Lines 22 through 33) reflects revenue from resellers and interexchange carriers (IXC's), that is, revenues from customers not classified as end users and not included in the USF contribution base. Line 24, titled "Local private line & special access" is primarily special access revenues derived from IXC's and in certain cases from business customers who purchased access services from FCC Tariff No. 2.

The bottom portion of Form 457 (Lines 34 through 47) reflect revenues from end user customers and make up the USF contribution base (Line 48). Like Line 24, Line 36 is also titled "Local private line & special access" but in this case is primarily local private line revenue from end user business customers who purchased services from the local tariff.

In order to determine the reasonableness of revenue amounts reported, total Ameritech operating revenues are shown (Line 50), even though only Line 48 revenues are used in calculating the USF contribution. Line 50 revenues are on an MR (FCC basis) and, when reported for the full year, agree with the total operating revenues reported in ARMIS.